

CONFIDENTIAL

24 July 1974

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NOTE FOR : [ ] OTS/D&amp;E

SUBJECT : SRI's Financial Expenditures through 29 June 74

This is simply to confirm and elaborate upon our telecon of this date. On 23 July I received from you copies of SRI's financial statements for the periods 27 April-1 June and 1 June-29 June. There are a couple of aspects which are disturbing:

(1) the last previous financial statement we have (for the period 1 March to 1 April, appended to their 2nd progress report) shows \$9460 having been expended on our (Part 2) portion of the project; as of 29 June they show \$38,981 expended on Part 2 and (on the basis of what we've seen from them) I find it hard to account for expenditures of about \$10,000 each of for/the last three months;

(2) as of 29 June they claim to be 55.8% completed with Part 2 of the project; since, as far as we yet know, they've only selected 5 of the 9 subjects and none of them have been put through the batteries of Part 2 examinations this also seems to be out of line.

There may, of course, be rational explanations for these apparent inconsistencies. Having discussed the matter with [ ] and particularly in view of your note to the effect that their quarterly report is expected by about 1 August, it seems best not to further confuse matters by making an issue of it at this time. Hopefully, the quarterly report will provide the substantiating data. If it does not, I will certainly suggest that we consider asking for an audit.

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